

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Financial Report
June 30, 2007

Lansing Board of Water and Light Retiree Benefit Plan and Trust

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Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Honorable Mayor, Members of City Council,
and Commissioners of the
Board of Water and Light
City of Lansing, Michigan

We have audited the accompanying statement of trust net assets of the Lansing Board of Water and Light Retiree Benefit Plan and Trust (the "Plan") as of June 30, 2007 and 2006 and the related statement of changes in trust net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for benefits of the Plan as of June 30, 2007 and 2006 and the changes in trust net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, requires a management's discussion and analysis be presented along with the financial statements. This information has not been presented.

Plante & Moran, PLLC

September 7, 2007

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Statement of Trust Net Assets

	June 30	
	2007	2006
Assets		
Investments - Fair value:		
Corporate bonds and notes:		
Goldman SACHS bond, 5.625%, maturing January 15, 2017	\$ 479,205	\$ -
GTE Corp bond, 8.75%, maturing November 1, 2021	1,186,230	1,163,830
Union Carbide Corp bond, 7.875%, maturing April 1, 2023	529,790	521,075
Mellon Capital bond, 7.720%, maturing December 1, 2026	-	1,044,460
JP Morgan Cap TR II bond, 7.95%, maturing February 1, 2027	-	2,096,880
Citicorp Capital bond, 8.015%, maturing February 15, 2027	-	1,050,360
Citicorp Capital bond, 7.933%, maturing February 15, 2027	-	1,049,490
Northern States PowerCo. bond 6.5%, maturing March 1, 2028	679,486	673,267
Burlington Resources bond, 7.375%, maturing March 1, 2029	846,405	855,405
GE Global Insurance bond, 7.75%, maturing June 15, 2030	1,148,070	1,134,900
Verizon Global bond, 7.75%, maturing December 1, 2030	1,120,160	1,078,550
CHUBBS Corp. bond, 6.8%, maturing November 15, 2031	1,059,160	1,038,200
CitiGroup Inc. bond, 6.625%, maturing June 15, 2032	996,009	984,231
CitiGroup Inc. bond, 6.0%, maturing October 31, 2033	962,820	947,340
AMBAC Finl Group Inc. bond, 5.95%, maturing December 5, 2035	952,650	928,210
Preferred foreign stock - AEGON NV Stock, PFD, 6.875%	555,280	550,000
Preferred stock:		
BAC CAP XII Stock, PFD, 6.875%,	512,402	-
Citigroup Cap XVII Stock, PFD, 6.35%,	480,800	-
Morgan Stanley Cap TR VIII Stock, PFD, 6.45%,	483,600	-
Mutual funds:		
Evergreen Equity Index Fund	10,435,112	8,700,920
Ishares MSCI EAFE Index Fund	7,652,274	4,303,511
Ishares Russell Midcap Index Fund	4,049,953	3,376,852
Ishares TR-Russell 2000 Index Fund	6,996,481	5,993,261
Ishares TR-Russell 1000 Index Fund	7,088,328	4,139,854
Ishares Lehman TR Aggregate Bond Fund	4,430,124	-
Comerica money market collective trust fund	8,298,199	1,995,539
Total investments at fair value	60,942,538	43,626,135
Investment interest and dividend receivable	124,515	238,634
Trust Net Assets	\$ 61,067,053	\$ 43,864,769

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Statement of Changes in Trust Net Assets

	Year Ended June 30	
	2007	2006
Additions		
Contributions	\$ 10,364,593	\$ 10,216,312
Investment income - Appreciation (depreciation) in fair value of investments:		
Corporate bonds and notes	84,247	(1,022,355)
Mutual funds	5,156,657	2,089,427
Preferred stock	(17,918)	-
Total appreciation in fair value of investments	5,222,986	1,067,072
Interest and dividend income	1,614,705	1,220,681
Total investment income	6,837,691	2,287,753
Net Increase in Trust Net Assets	17,202,284	12,504,065
Net Assets		
Beginning of year	43,864,769	31,360,704
End of year	<u><u>\$ 61,067,053</u></u>	<u><u>\$ 43,864,769</u></u>

Lansing Board of Water and Light Retiree Benefit Plan and Trust

**Notes to Financial Statements
June 30, 2007 and 2006**

Note 1 - Description of the Plan

The following description of the Lansing Board of Water and Light Retiree Benefit Plan and Trust (the "Plan"), a component unit of the Board of Water and Light - City of Lansing, Michigan (the "BWL"), provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

General - The Plan was established on October 20, 1999, effective as of July 1, 1999, to constitute a voluntary employees beneficiary association (VEBA) under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

Benefits - Benefits shall not be paid from this Plan to participants or their beneficiaries during a plan year in which there has been a "qualified transfer" pursuant to Internal Revenue Code Section 420(e)(1)(8) from the Lansing Board of Water and Light Defined Benefit Plan for the Employees' Pensions, except that once the "qualified transfer" has been exhausted for the purpose of paying qualified current retiree health liabilities, benefit payments may be made under this Plan consistent with Internal Revenue Code Section 420(e)(1)(B). After "qualified transfers" have been exhausted, benefits paid under this Plan shall be those benefits described in the relevant sections of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light.

Trustees - Each member of the Lansing Board of Water and Light Board of Commissioners is a trustee during the term of office as a commissioner. The trustees have appointed Comerica Bank and Wachovia Securities Incorporated as custodians of the plant assets.

Contributions - The Lansing Board of Water and Light makes contributions in such a manner and at such times as appropriate. All contributions received, together with the income thereon, are held, invested, reinvested, and administered by the trustees pursuant to the terms of the plan agreement. No employee contributions are allowed under this Plan.

Participation - Participation in this Plan is determined in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light.

Vesting - Benefits become payable in accordance with the terms of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light. At no time will benefits of the Postretirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light be vested. The BWL may reduce or eliminate any or all plan benefits at any time, subject to the requirements of any collective bargaining agreement.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2007 and 2006

Note 1 - Description of the Plan (Continued)

Termination - In the event of plan termination, all plan assets shall be used to purchase additional eligible benefits in accordance with the terms of the plan agreement. In the event of dissolution, merger, consolidation, or reorganization of the BWL, the Plan shall terminate and liquidate in a manner consistent with the plan agreement unless the Plan is continued by a successor to the BWL.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The plan statements are prepared using the accrual basis of accounting.

Investment Valuation and Income Recognition - Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price.

Purchases and sales of investments are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of the period's fair value of investments.

Expenses - Substantially all costs and expenses incurred in connection with the operation and administration of the Plan are paid by the BWL, the plan sponsor. The Plan pays all transaction expenses incurred in connection with the investment accounts, which are netted with investment income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Note 3 - Cash, Investments, and Fair Disclosure

The Lansing Board of Water and Light Retiree Benefit Plan and Trust has adopted GASB No. 40, *Deposit and Investment Risk Disclosures*. The modified disclosures required by GASB No. 40 are reflected below.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Plan is authorized through Public Act 149 of 1999 to invest in accordance with Public Act 314. Public Act 314 of 1965, as amended, allows the Plan to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Plan's deposits and investment policies are in accordance with statutory authority.

The Plan's cash and investments are subject to several types of risk, which are examined in more detail below:

Risks at June 30, 2007

Custodial Credit Risk of Bank Deposits

At the end of the year, the Plan has no bank deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are therefore not subject to custodial credit risk.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Mutual funds	\$ 4,430,124	Less than 1 year
Corporate bonds	9,959,985	21.1 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Mutual funds	\$ 4,430,124	Not Rated	Not Rated
Corporate bonds	479,205	A+	S & P
Corporate bonds	4,513,620	A	S & P
Corporate bonds	1,525,891	A-	S & P
Corporate bonds	952,650	AA	S & P
Corporate bonds	1,958,829	AA-	S & P
Corporate bonds	529,790	BBB-	S & P

Concentration of Credit Risk

The BWL places no limit on the amount the Plan may invest in any one issuer.

Foreign Currency Risk

At year end, the Plan was not subject to foreign currency risk.

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Risks at June 30, 2006

Custodial Credit Risk of Bank Deposits

At the end of the year, the Plan has no bank deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are therefore not subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Corporate bonds	\$ 14,566,198	22.5 years

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 1,044,460	Not Rated	Not Rated
Corporate bonds	1,931,571	A+	S & P
Corporate bonds	5,380,430	A	S & P
Corporate bonds	4,760,452	A-	S & P
Corporate bonds	928,210	AA	S & P
Corporate bonds	521,075	BBB-	S & P

Lansing Board of Water and Light Retiree Benefit Plan and Trust

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Concentration of Credit Risk

The BWL places no limit on the amount the Plan may invest in any one issuer. As of year end, more than 5 percent of the Plan's investments are in mutual funds, which are not subject to concentration of credit risk.

Foreign Currency Risk

The Plan holds no investments in foreign entities, currency, or debt.

Note 4 - Tax Status

The Plan is exempt under Internal Revenue Code Section 501(c)(9) and received an exemption letter as of February 9, 2000. The Plan has since been amended. Management believes the Plan continues to operate as a qualified plan. Therefore, no provision for income taxes has been included in the Plan's financial statements.